

31-Year History Of California Alcoholic Beverage Control Dept. Is Filled With Enormous Challenges

Bulletin Staff Writer

SACRAMENTO — When George Reece joined the old Division of Alcoholic Beverage Control in 1951, it was illegal to sell alcoholic beverages to American Indians.

It's no longer 'that way. Reece is now deputy director of the Department of Alcoholic Beverage Control (ABC) and it's quite legal to sell alcohol to American Indians.

On Jan. 1, 1985, the ABC turned 31 years old. And during that period, major changes have occurred in the beverage alcohol industry in California.

The old Division of ABC was created at the end of Prohibition in 1933 and made part of the state Board of Equalization. Scandals in the state board over improper issuance of liquor licenses forced a shake-up and, in 1954, the department was created.

In the last 31 years, Reece recalled recently, there have been several changes in the way alcohol is distributed, but perhaps none was as significant as the repeal of Fair Trade and the effective repeal of price-posting.

The changes came either through court decisions or legislative mandates. Some of them:

* In 1957, the "rubber sandwich" law was finally struck down. That came from state regulations that said you could have an on-sale beer and wine license only if you also maintained a restaurant.

When World War II erupted, the California bar business boomed along with the guns, and many bar-restaurant owners simply closed-down their restaurant facilities to make room for expanded drinking areas.

But in order to meet the requirements of the licensing law, such operators offered "rubber sandwiches" (literally) for patrons to "buy" and return.

FINANCIAL COMPROMISE

* In 1959, the law was changed to say licensees found in violation of the ABC Act would offer-up financial compromise settlements, rather than receive man-

datory suspension of operations. It was a major benefit to the licensees, particularly the hotels, which suffered hardships when forced to close down because of a suspension.

* In 1967, the law was changed to eliminate one of the curiosities of winning World War II.

The law had stated that no one could have a license in California unless he was a U.S. citizen. But in making peace treaties with the former Axis powers, it was agreed by the United States that citizens of those former enemy nations could indeed have certain privileges in the United States, including having liquor licenses.

Citizens (but U.S. residents) of our allies were frozen out. So the law was changed: all residents were eligible, and citizenship was not a factor.

* In 1969, it was agreed that the Election Day rule should be eliminated. That law had prohibited the sale of alcoholic beverages during the hours the election polls were open.

* In 1970, the laws were changed to permit the use of the word "bar." That's right. Until 1970, it was illegal to use certain words to describe the place, such as "bar," "saloon," or "cocktail lounge."

* In 1971, it finally became legal to hire females as bartenders.

'BROKEN BOTTLE' ACT ELIMINATED

* In 1973, the "broken bottle" act was eliminated. Until that time, bar owners were required to actually break each empty bottle.

The idea was to prevent a bar owner from re-filling the bottle with less-quality or bootleg alcohol. Among the reasons for eliminating the law? That there were too many cut fingers and flying glass.

* 1978 saw the repeal of

Fair Trade by the State Supreme Court. The idea of Fair Trade was grounded in post-Prohibition beliefs that it was the responsibility of the state to promote temperance, and thus not encourage an open market which would lead to lower prices.

Fair Trade also was of great benefit to the small retail liquor dealers — "Mom and Pop" stores that couldn't compete easily with the large chains unless the prices were "fair traded."

In fact, Fair Trade was really "retail price maintenance," that meant wine was fair traded, beer prices were posted by the wholesalers (but not really fair traded) and distilled spirits had minimum prices that essentially meant they were fair traded.

FAIR TRADE 'STRUCK DOWN'

When the high court struck down Fair Trade, there were expressions of outrage from several quarters, particularly the small retailers.

But as Reece said: "Really good merchants could still succeed, unless they happened to be next door to a discount liquor store."

He added that "There's no doubt a lot of retailers were hurt by the repeal of Fair Trade, but they also were hurt by the recession that was going on then nationwide."

In the last few years, price-posting which had established Fair Trade essentially has been eliminated through court decisions. Price-posting was appreciated by the wholesalers because it permitted them to learn what the competition was offering.

What is left is a very limited price-posting for beer in that each wholesaler posts his prices in the county it is sold but those prices can change daily.

There is, however, still muscle and responsibility for the ABC. Much of its current business is the processing and investigating of licenses and, of course, enforcement of the laws governing beverage alcohol consumption in California.